

Message Text

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PAGE 01 STATE 125785

46

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TO AMEMBASSY ANKARA

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INFO AMCONSUL ADANA

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C O N F I D E N T I A L STATE 125785

E.O. 11652: GDS

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SUBJECT: VISIT OF TURKEY CONSORTIUM OFFICIALS

REF: STATE 109672 (NOTAL)

1. WILHELM GIEL, CHAIRMAN OF THE OECD CONSORTIUM FOR TURKEY, AND ALFRED KUEHN, SECRETARY, COMPLETED A WEEK OF CONSULTATION IN WASHINGTON MAY 19. DURING THAT WEEK THEY CALLED ON OFFICIALS IN THE DEPARTMENT, AID, IBRD, IMF, OPIC AND EXIM TO EXCHANGE VIEWS ON THE CURRENT STATE OF THE TURKISH ECONOMY AND DISCUSS STEPS WHICH COULD BE TAKEN TO ASSIST TURKEY.

2. IN CALLS ON DEPUTY ASSISTANT SECRETARY (EUR) BRUCE LAINGEN AND DIRECTOR, OFFICE OF DEVELOPMENT FINANCE (EB),
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CONFIDENTIAL

PAGE 02 STATE 125785

JOSEPH WINDER, DR. GIEL REPORTED CONCERN AMONG CONSORTIUM

MEMBER COUNTRIES REGARDING TURKEY'S CONTINUED ADVERSE BALANCE OF PAYMENTS AND DECLINING FOREIGN EXCHANGE RESERVES. GIEL HAD JUST COMPLETED VISITS TO ITALY, THE NETHERLANDS, GERMANY AND BELGIUM. THE LATTER THREE COUNTRIES INDICATED READINESS TO CONTINUE PLEDGING AT PAST LEVELS. THE ITALIANS DID NOT EXPECT TO BE ABLE TO ASSIST, NOTING THAT THEY HAD ECONOMIC PROBLEMS OF THEIR OWN. AFTER

LEAVING WASHINGTON, GIEL PLANS TO VISIT THE U.K., DENMARK AND TURKEY. GIEL HOPES THAT THE DANISH INVITATION SIGNIFIES NEW INTEREST IN THE CONSORTIUM ON THE PART OF THE SCANDINAVIANS WHO HAVE BEEN INACTIVE IN THE PAST FOUR YEARS.

3. GIEL BELIEVES THAT THE CONSORTIUM SHOULD SEEK A MIDDLE GROUND BETWEEN CONCESSIONAL AND NORMAL TERMS OF CREDIT TO ASSIST TURKEY. THE TURKS NEED LONGER TERM CREDIT IF THEY ARE NOT TO AGGRAVATE THEIR PRESENT DEBT SITUATION. GIEL EXPRESSED THE VIEW THAT OECD AND MEMBER GOVERNMENT OFFICIALS SHOULD BE CAUTIOUS IN EXPRESSING CONCERNS ABOUT THE TURKISH ECONOMY WHEN TALKING WITH PRIVATE BANKERS AND BUSINESSMEN BECAUSE OF THE IMPORTANCE OF MAINTAINING BUSINESS CONFIDENCE IN TURKEY.

4. GIEL INDICATED THAT THE NEXT MEETING OF THE CONSORTIUM WOULD PROBABLY TAKE PLACE EARLY NEXT YEAR. THE BASIC ISSUES TO BE RAISED REMAIN THE SAME AS DISCUSSED IN THE 1974 AND 1975 MEETINGS: (A) PROBLEMS OF FOREIGN INVESTMENT (AT HIS REQUEST WE PROVIDED GIEL WITH A SHORT PAPER ON US INVESTMENT PROBLEMS IN TURKEY WHICH DOES NOT MENTION SPECIFIC FIRMS); (B) TURKISH BUREAUCRATIC DELAYS PREVENTING IMPLEMENTATION OF MORE THAN ONE BILLION DOLLARS WORTH OF AUTHORIZED PROJECT LOANS; (C) NEED FOR BETTER DEMAND MANAGEMENT TO CURB WAGE INCREASES, COMMODITY SUBSIDIES AND IMPORTS OF CONSUMER GOODS; (D) EFFECTIVE PROMOTION AND DEVELOPMENT OF EXPORTS AND TOURISM TO EARN NEEDED FOREIGN EXCHANGE; (E) MEASURES TO INCREASE GOVERNMENT REVENUES AND REDUCE BUDGET DEFICITS.

5. DURING THE MEETING WITH DEP ASST SEC LAINGEN, DR.
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PAGE 03 STATE 125785

GIEL ASKED WHAT USG WAS PREPARED TO DO TO SUPPORT CONSORTIUM EFFORTS ON BEHALF OF TURKEY. LAINGEN REPLIED THAT WHILE WE HAVE NO PLANS FOR FUTURE CONCESSIONAL ASSISTANCE TO TURKEY, WE BELIEVE WE CAN BE HELPFUL IN OTHER WAYS IN ASSISTING TURKISH DEVELOPMENT, INCLUDING PRIVATE INVESTMENT. DEFENSE SUPPORT PROVIDED VIA NEW DCA WITH TURKEY WOULD ALSO BE HELPFUL, AS WOULD ANNUAL PROJECTION OF \$70 MILLION IN EXIM FINANCING. AS FOR

CONSORTIUM, WE CONTINUED TO REGARD IT AS A USEFUL MECHANISM FOR CONSULTATION AS WELL AS A FURTHER MEANS OF PRESERVING AND STRENGTHENING OVERALL TURKISH RELATIONSHIP WITH WESTERN EUROPE AND THE US.

6. IN A SEPARATE MEETING KUEHN (PROTECT) NOTED THAT, ALTHOUGH THE FINANCIAL INSTITUTIONS HE AND GIEL VISITED IN WASHINGTON, PARTICULARLY THE IBRD, WERE GUARDEDLY

OPTIMISTIC ABOUT TURKEY'S PROSPECTS AND WERE WILLING TO CONSIDER FURTHER LOANS FOR TURKEY, WORKING-LEVEL ECONOMISTS IN THOSE ORGANIZATIONS WERE CONCERNED ABOUT THE FUTURE. UNLIKE OTHER POORER OECD MEMBERS, TURKEY HAS NOT TAKEN OECD ADVICE ON CORRECTING HER ECONOMIC PROBLEMS. THE DIFFICULTY APPEARS BASICALLY INSTITUTIONAL. KUEHN HIMSELF HAS OBSERVED A LACK OF COOPERATION AMONG THE VARIOUS AGENCIES IN THE TURKISH GOVERNMENT CONCERNED WITH ECONOMIC POLICY. HOWEVER, HE STILL BELIEVES THAT THE TURKISH GOVERNMENT MAY YET FIND A WAY TO TAKE THE MEASURES NECESSARY TO CHECK INCREASING DOMESTIC DEFICITS AND FOREIGN SHORT TERM DEBT.

ROBINSON

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